

**SABINE PASS PORT AUTHORITY
AUDITED FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDING
SEPTEMBER 30, 2019**

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MITCHELL T. FONTENOTE

CERTIFIED PUBLIC ACCOUNTANT, INC.

February 19, 2020

INDEPENDENT AUDITORS' REPORT

To the Board of Commissioners
Sabine Pass Port Authority
Sabine Pass, Texas

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Sabine Pass Port Authority, as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the Port's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Sabine Pass Port Authority, as of September 30, 2019, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3-6 and 27-28 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Sabine Pass Port Authority's basic financial statements. The pension schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The pension schedules have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 19, 2020, on our consideration of Sabine Pass Port Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Sabine Pass Port Authority's internal control over financial reporting and compliance.

Mitchell T. Fontenote CPA, Inc.

MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2019
(UNAUDITED)

We offer an overview and analysis of the financial activities of the Sabine Pass Port Authority, Jefferson County, Texas for the fiscal year ended September 30, 2019. Consider the notes presented here in conjunction with the financial statements and notes thereto, which follow this section.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Authority's basic financial statements. The Authority's basic financial statements are comprised of the following: 1) Government-wide financial statements, 2) Fund financial statements and, 3) Notes to the financial statements. This report contains other supplementary information in addition to the basic financial statements.

Government-wide financial statements are designed to provide readers with a broad overview of the Authority's finances, in a manner similar to a private-sector business.

The statement of net Position and governmental funds balance sheet presents information of all the Authority's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating.

The statement of activities and governmental funds revenues, expenditures, and changes in fund balance presents information showing how the Authority's net position changed during the fiscal year. All changes in net position are reported when the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenue and expenses are reported in this statement for some items that will only result in cash flows in the future fiscal periods (i.e. uncollected property taxes).

All of Authority's basic services are included in the governmental funds, which focus on how resources flow in and out with the balances remaining at the fiscal year-end that are available for spending. The governmental funds statements provide a detailed short-term view to determine whether there are more or fewer financial resources that can be spent in the near future to finance the Authority's activities. Because this information does not encompass the additional long-term focus of the government-wide statements, we describe the relationship between governmental activities and governmental funds through the reconciliations and in the notes to the financial statements.

The notes provide additional information that is essential to a full understanding of the data provided in the financial statements.

FINANCIAL HIGHLIGHTS

The net position for the Authority at September 30, 2019 was \$5,191,172.

SABINE PASS PORT AUTHORITY
JEFFERSON COUNTY, TEXAS

MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2019
(UNAUDITED)

FINANCIAL ANALYSIS

A large portion of the Authority's total assets (55%) reflects its investment in capital assets (e.g., land, structures, and equipment). The Authority uses these assets to provide services to the community; consequently, these assets are not available for future spending.

	2019	2018
ASSETS		
Current and other assets	\$ 5,727,051	\$ 6,844,207
Capital assets	6,938,069	6,390,209
TOTAL ASSETS	12,665,120	13,234,416
DEFERRED INFLOWS		
Deferred inflows - TCDRS	81,812	24,025
TOTAL DEFERRED INFLOWS	81,812	24,025
LIABILITIES		
Long-term liabilities	7,537,822	7,838,778
Other liabilities	10,968	687,704
TOTAL LIABILITIES	7,548,790	8,526,482
DEFERRED INFLOWS		
Deferred inflows - TCDRS	6,970	34,821
TOTAL DEFERRED INFLOWS	6,970	34,821
NET POSITION		
Net investment in capital assets	3,716,609	(1,448,569)
Reserved	78,690	114,242
Unreserved	1,395,873	6,031,465
TOTAL NET POSITION	\$ 5,191,172	\$ 4,697,138

SABINE PASS PORT AUTHORITY
JEFFERSON COUNTY, TEXAS

MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2019
(UNAUDITED)

The following provides comparative totals of the Authority's operations for the fiscal year ended September 30, 2019 and 2018.

	2019	2018
REVENUES		
Property taxes	\$ 1,338,944	\$ 1,356,479
Investment earnings	110,735	86,830
Lease property	562,902	459,731
Other	19,299	9,975
TOTAL REVENUES	2,031,880	1,913,015
EXPENSES		
Operations	996,617	981,642
Interest	275,252	329,709
Depreciation	394,179	392,605
TOTAL EXPENSES	1,666,048	1,703,956
Changes in net position	365,832	209,059
Net position - beginning of year	4,697,138	4,635,494
Prior period adjustment	128,202	(147,415)
Net position - end of year	\$ 5,191,172	\$ 4,697,138

ANALYSIS OF CHANGES IN CAPITAL ASSETS AND LONG-TERM DEBT

The Authority's investment in capital assets as of September 30, 2019, amounts to \$5,238,628 (net of accumulated depreciation). This investment in capital assets includes land, structures, and equipment. The total increase in the Authority's investment in capital assets for the current fiscal year was 7.2%.

Capital Assets at Year-End - Net of Accumulated Depreciation

	2019	2018
Land	\$ 840,412	\$ 614,607
Structures and Equipment	6,097,657	5,775,602
Total	\$ 6,938,069	\$ 6,390,209

At the end of the current fiscal year, the Authority had outstanding revenue bonds of \$7,297,000, a \$184,000 decrease from 2018 due to principal payments. Additional information on the Authority's capital assets can be found in the notes to the financial statements.

SABINE PASS PORT AUTHORITY
JEFFERSON COUNTY, TEXAS
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2019
(UNAUDITED)

Outstanding Debt at Year End - Bonds Payable

Revenue Bonds			
Year	Principal	Interest	Total
2020	190,000	255,503	445,503
2021	196,000	249,723	445,723
2022	203,000	243,746	446,746
2023	209,000	237,534	446,534
2024	216,000	230,906	446,906
Thereafter	6,283,000	1,821,129	8,104,129
	<u>\$ 7,297,000</u>	<u>\$ 3,038,541</u>	<u>\$ 10,335,541</u>

THE BUDGET, ECONOMIC ENVIRONMENT, AND RATES

The main differences between the original budget and the actual results are briefly summarized as follows:

Revenues were over budgeted amounts by \$55,780. And expenditures were under budget by \$64,621. This was due mainly to an over budget allocation for dock and marina repairs.

REQUEST FOR INFORMATION

The financial report is designed to provide our community, customers, investors and creditors with a general overview of the Authority's finances. If you have any questions about this report or need any additional information, contact Sabine Pass Port Authority, P.O. Box 318, Sabine Pass, Texas, U.S.A., 77655, or call (409) 971-2411.

BASIC FINANCIAL STATEMENTS

SABINE PASS PORT AUTHORITY
STATEMENT OF NET POSITION
SEPTEMBER 30, 2019

	Governmental Activities
ASSETS	
Cash and investments	\$ 5,130,230
Taxes receivable	155,141
Other receivables	307,943
Prepaid insurance and deposits	133,737
Land	840,412
Other capital assets, net of accumulated depreciation	6,097,657
Net pension asset	-
TOTAL ASSETS	12,665,120
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows related to TCDRS	81,812
TOTAL DEFERRED OUTFLOWS	81,812
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	12,746,932
LIABILITIES	
Accounts payable	2,661
Salaries and benefits payable	8,307
Long-term debt:	
Due within one year	190,000
Due after one year	7,322,276
Net pension liability	25,546
TOTAL LIABILITIES	7,548,790
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows related to TCDRS	6,970
TOTAL DEFERRED INFLOWS	6,970
NET POSITION:	
Net investment in capital assets	3,716,609
Restricted for debt service	78,690
Unrestricted	1,395,873
TOTAL NET POSITION	\$ 5,191,172

The accompanying notes are an integral part of this statement.

SABINE PASS PORT AUTHORITY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2019

PROGRAMS	Expenses	Program Revenue		Net (Expense) Revenue and Changes in Net Position	
		Charges for Services	Operating Grants & Contributions	Governmental Activities	Total
Primary Government:					
Governmental Activities	\$ 1,666,048	\$ 562,902	\$ -	\$ (1,103,146)	\$ (1,103,146)
Total Governmental Activities	1,666,048	562,902	-	(1,103,146)	(1,103,146)
Total Primary Government	1,666,048	562,902	-	(1,103,146)	(1,103,146)
General Revenues:					
					1,338,944
					1,656
					-
					110,735
					17,643
					1,468,978
					365,832
					4,697,138
					128,202
					\$ 5,191,172

The accompanying notes are an integral part of this statement.

SABINE PASS PORT AUTHORITY

BALANCE SHEET – GOVERNMENTAL FUNDS
SEPTEMBER 30, 2019

	General Fund	Debt Service Fund	Capital Projects Fund	Total
ASSETS				
Cash and investments	\$ 757,100	\$ 79,013	\$ 4,294,117	\$ 5,130,230
Due from other funds	323	-	-	323
Taxes receivable	108,072	47,069	-	155,141
Other receivables	7,115	-	300,828	307,943
Bond issuance cost	-	-	-	-
Prepaid insurance and deposits	99,721	-	34,016	133,737
Land	-	-	-	-
Other capital assets, net of accumulated depreciation	-	-	-	-
TOTAL ASSETS	<u>972,331</u>	<u>126,082</u>	<u>4,628,961</u>	<u>5,727,374</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 972,331</u>	<u>\$ 126,082</u>	<u>\$ 4,628,961</u>	<u>\$ 5,727,374</u>
LIABILITIES				
Accounts payable	2,661	-	-	2,661
Salaries and benefits payable	8,307	-	-	8,307
Pension plan payable	-	-	-	-
Accrued interest payable	-	323	-	323
Due to other funds	-	-	-	-
Long-term debt:				
Due within one year	-	-	-	-
Due after one year	-	-	-	-
Net pension liability	-	-	-	-
TOTAL LIABILITIES	<u>10,968</u>	<u>323</u>	<u>-</u>	<u>11,291</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable property taxes	108,072	47,069	-	155,141
TOTAL DEFERRED INFLOWS	<u>108,072</u>	<u>47,069</u>	<u>-</u>	<u>155,141</u>
FUND BALANCES				
Fund balances:				
Committed for capital projects	-	-	4,628,961	4,628,961
Restricted				
Restricted for retirement of long-term debt	-	78,690	-	78,690
Unassigned	853,291	-	-	853,291
TOTAL FUND BALANCES	<u>853,291</u>	<u>78,690</u>	<u>4,628,961</u>	<u>5,560,942</u>
TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES	<u>\$ 972,331</u>	<u>\$ 126,082</u>	<u>\$ 4,628,961</u>	<u>\$ 5,727,374</u>

The accompanying notes are an integral part of this statement.

SABINE PASS PORT AUTHORITY

RECONCILIATION OF GOVERNMENTAL BALANCE SHEET TO STATEMENT OF NET POSITION
SEPTEMBER 30, 2019

Total Fund Balances - Governmental Funds	5,560,942
Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. At the beginning of the year, the cost of these assets was \$10,786,680 and the accumulated depreciation was (\$4,396,471). In addition, long-term liabilities, including bonds payable, are not due and payable in the current period, and, therefore are not reported as liabilities in the funds. The net effect of including the beginning balances for capital assets (net of depreciation) and long-term debt in the governmental activities is to decrease net position.	(1,796,725)
Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of including the 2019 capital outlays and debt principal payments is to increase	1,662,256
Included in the items related to debt is the recognition of the District's proportionate share of the net pension liability required by GASB 68 in the amount of \$25,546, a Deferred Resource Inflow related to TCDRS of \$6,970 and a Deferred Resource Outflow related to TCDRS in the amount of \$81,812. This amounted to a increase in Net Position in the amount of \$3,737.	3,737
The 2019 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net position.	(394,179)
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing unavailable revenue from property taxes as revenue, reclassifying the proceeds of bond sales as an increase in bonds payable, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase net position.	155,141
Net Position of Governmental Activities	<u>\$ 5,191,172</u>

The accompanying notes are an integral part of this statement.

SABINE PASS PORT AUTHORITY

STATEMENT OF CHANGES IN REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE – GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

	General Fund	Debt Service Fund	Capital Projects Fund	Total
EXPENDITURES/EXPENSES				
Port operations	\$ 979,168	\$ -	\$ -	\$ 979,168
Other operationg	-	-	963,225	963,225
Debt Service:				
Principal	-	184,000	398,340	582,340
Interest	-	261,078	26,134	287,212
TOTAL EXPENDITURES/EXPENSES	979,168	445,078	1,387,699	2,811,945
Program revenues:				
Usage fees and leases	562,902	-	-	562,902
Net program expenses	(416,266)	(445,078)	(1,387,699)	(2,249,043)
GENERAL REVENUES				
Property taxes	953,296	396,758	-	1,350,054
Penalties and interest	-	1,656	-	1,656
Interest on temporary investment	-	3,718	107,017	110,735
Miscellaneous income	17,643	-	-	17,643
TOTAL GENERAL REVENUES	970,939	402,132	107,017	1,480,088
OTHER FINANCING SOURCES (USES)				
Transfer In	-	5,109	424,749	429,858
Transfers Out	(424,749)	-	(5,109)	(429,858)
TOTAL OTHER FINANCING SOURCES (USES)	(424,749)	5,109	419,640	-
Excess of revenues over expenditures	129,924	(37,837)	(861,042)	(768,955)
Fund balance/net position:				
Beginning of the year	723,367	114,242	5,490,003	6,327,612
Prior period adjustment	-	2,285	-	2,285
Beginning fund balance, restated	723,367	116,527	5,490,003	6,329,897
End of the year	\$ 853,291	\$ 78,690	\$ 4,628,961	\$ 5,560,942

The accompanying notes are an integral part of this statement.

SABINE PASS PORT AUTHORITY

RECONCILIATION OF CHANGES IN FUND BALANCE TO STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2019

Total Net Change in Fund Balances - Governmental Funds	\$	(768,955)
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Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of including the 2019 capital outlays and debt principal payments is to increase net position.		1,536,339
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Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease net position.		(394,179)
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Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing unavailable revenue from property taxes as revenue, reclassifying the proceeds of bond sales as an increase in bonds payable, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase net position.		(11,110)
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Current year changes due to GASB 68 required credits and debits to various revenue and expense accounts. This results in a decrease in net position.		3,737
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Change in Net Position of Governmental Activities	\$	<u>365,832</u>
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The accompanying notes are an integral part of this statement.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Sabine Pass Port Authority (the "Authority") is a port Authority and political subdivision of the State of Texas and is located in Jefferson County, Texas. The Authority was created by the Acts of the 63rd Legislature of the State of Texas (Chapter 379, Acts of 1973, as amended). Pursuant to the Constitution and the Texas Water Code of the State of Texas, the Authority has broad powers to construct, own and operate port facilities within the Authority's boundaries and to assess, levy and collect an annual tax for the maintenance and operation of the Authority and its facilities.

The Authority is not a component unit of the County, the City of Sabine Pass or the City of Port Arthur, since none of these entities exercise financial accountability over the Authority. The Authority is considered a primary government entity since it satisfies all of the following criteria: (a) no entity appoints a voting majority of its governing body; (b) it is legally separate from other entities; and (c) it is fiscally independent of other state and local governments.

The Authority is governed by a Board of Commissioners (Board) that acts as the authoritative and legislative body of the entity. The Board is comprised of five elected board members which serve two-year terms.

The Board of Commissioners annually appoints the chairperson of the Board from existing board members. The chairperson's responsibilities are to preside at all meetings of the Board; be the chief officer of the Authority; perform all duties commonly incident to the position of presiding officer of a board, commission or business organization and exercise supervision over the business and employees of the Authority.

The Board appoints a Director of the Authority, which is a non-voting position. The director receives compensation for his/her duties. The compensation package is passed by resolution of the Board. The Director's main responsibility is acting as chief executive officer of the Authority as prescribed by the Board of Commissioners.

The accompanying general-purpose financial statements comply with the provisions of GASB Statement No. 14, The Financial Reporting Entity in that the financial statements include all organizations, activities, and functions that comprise the Authority. Based on the application of criteria in GASB 14, the Commissioners have determined the Authority has no component units.

The management discussion and analysis is included in this presentation for Sabine Pass Port Authority as required by the Governmental Accounting Standards Board (GASB) Statement No. 34, Basic Financial Statements - and Management Discussion and Analysis for State and Local Governments.

The Port Authority also implemented the provisions of GASB Statement 37, Basic Financial Statement, and Management Discussion and Analysis for State and Local Governments. This statement classifies certain GASB 34 provisions related to Management Discussion and Analysis requirements and the modified approach to infrastructure. Additionally, the Port Authority also implemented GASB Statement 38, Certain Financial Statement Note Disclosures and GASB Interpretation No. 6, Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statement, effective October 1, 2003.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Pensions. The fiduciary net position of the Texas County and District Retirement System (TCDRS) has been determined using the flow of economic resources measurement focus and full accrual basis of accounting. This includes for purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, and information about assets, liabilities and additions to/deductions from TCERS's fiduciary net position. Benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Government-Wide Financial Statements

The statements of net position and changes in net position report information on all nonfiduciary activities of the primary government.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are identifiable with specific functions. Program revenues include charges to customers who purchase, use or directly benefit from goods, services, or privileges provided by the Authority. Items not properly included in program revenues are reported as general revenues. Major individual governmental funds are reported as separate columns in the financial statements.

Measurement focus, basis of accounting, and financial statement presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within sixty days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

Fund Accounting

The Authority uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The Authority only uses governmental funds.

Governmental Funds

Governmental funds are those through which most governmental functions typically are financed. Governmental funds reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purpose for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Authority reports the following major governmental funds:

General Fund - To account for all revenues and expenditures not accounted for in other funds, relating to general operations of the Port Authority. The primary sources of revenue are property taxes, leases, and port usage fees. It is a legally budgeted fund.

Debt Service Fund - To account for the accumulation of financial resources for the payment of general long-term debt principal and interest. The primary source of revenue is property taxes. It is a legally budgeted fund.

Capital Projects Fund - To account for financial resources designated for the construction or acquisition of major capital facilities and improvements. Such resources are derived principally from proceeds of the sale of bonds. This fund is currently inactive.

Capital Assets

General capital assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position and they are reported in the fund financial statements as capital outlay expenditures.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. The Authority does not possess any infrastructure. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized. Interest is capitalized as a component of the cost of property and equipment constructed for its own use.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

	<u>Years</u>
Buildings	15 to 40
Port facilities and docks	7 to 39
Vehicles	3
Furniture, fixtures and equipment	5 - 7

Budgetary Control / Budget Basis of Accounting

The Authority follows these procedures in establishing the budgetary data reflected in the financial statements –

1. During midsummer, the Authority prepares a proposed budget for the fiscal year commencing the following October 1. The operating budget included proposed expenditures and the means of financing them.
2. Any revisions of the budget that alter the expenditures of any funds must be approved by the Authority's Board of Commissioners.
3. Formal budgetary integration is employed as a management control device during the year for the General and Debt Service Funds.
4. Budgets for the General Fund are adopted on a basis consistent with modified cash accounting principles. The Budgetary Comparison Schedule - General Fund and Budgetary Comparison Schedule - Debt Service Fund present comparisons of budgetary data to actual results. Budgeted amounts are as originally adopted or as amended by the Authority.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Governmental Fund Balance Reserves

The Authority records reservations for portions of governmental fund balances which are legally segregated for specific future use or which do not represent available spendable resources and therefore not available for appropriation. Unreserved fund balances indicate the portion of fund balance which is available for appropriation in future periods. Reservations of fund balances are established for encumbrances and self-insurance.

Concentration of Credit Risk

Most of the Authority's investments at September 30, 2019 were with the Texas Investment Pool and therefore, are not categorized as to concentration of credit risk. Amounts held directly with the bank are insured by the Federal Depository Insurance Corporation (FDIC) up to \$250,000.

Encumbrances

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budget integration in the General Fund. Encumbrances outstanding at year-end are reported as reservations of fund balances since they do not constitute expenditures or liabilities. Encumbrances outstanding at year-end are provided for in the subsequent year's budget. There were no encumbrances outstanding at September 30, 2019.

Retirement Plan

The Authority provides retirement benefits for all of its full-time employees which is administered through participation in a joint contributory, defined contribution plan in the state-wide Texas County and Authority Retirement System.

Compensated Absences

The commissioners approved a vacation and holiday policy on March 10, 2005. The policy covers all permanent employees. The Authority does not accrue compensatory time on exempt employees. Sick and vacation time must be used in the year earned. All unused time expires.

Investment Policy

The commissioners adopted an investment policy pursuant to the Public Funds Investment Act Chapter 2256 of the Texas Government code. They consist principally of certificates of deposit and TexPool Investments. Their cost approximates their market value.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Unearned Revenues

The Authority reports unearned deferred revenues in the governmental funds balance sheet. Unearned revenues arise when potential revenue does not meet both the measurable and available criteria for recognition in the current period.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Advertising

The authority expenses the costs of advertising as incurred except for direct response advertising, which is capitalized and amortized over its expected period of future benefits.

Deferred Outflows and Inflows

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The Authority has one type of deferred outflow of resources which records the Authority's portion of the deferred inflow related to pensions

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The Authority has one type of item which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Uncollected property taxes which are assumed collectible are reported in this category on the balance sheet for governmental funds. They are not reported in this category on the government wide statement of net position. The Authority also has a deferred inflow of resources which records the Authority's portion of the deferred outflow related to pensions

NOTE 2 – CASH AND TEMPORARY INVESTMENTS

The Authority's funds are required to be deposited and invested under the terms of a depository agreement with a bank pursuant to the Texas depository law. Under the depository agreement, the depository bank places approved pledged securities for safekeeping and trust the Authority's agent bank in an amount sufficient to protect Authority funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the deposit bank's dollar amount of Federal Depository Insurance Corporation (FDIC).

At Wells Fargo Bank, the carrying value of cash and cash equivalents at September 30, 2019 was \$818,955. Cash balances at the bank for September 30, 2019 are \$965,866 of which \$250,000 is insured by the Federal Depository Insurance Corporation (FDIC). The remaining \$715,866 is covered by pledged securities under the depository contract outlined above.

The Authority has invested funds for self insurance in Texas Local Government Investment Pool (TexPool). The portfolio is managed by the Texas State Treasury and the assets are in safekeeping in the Federal Reserve account of the Texas Treasury Safekeeping Trust Company. TexPool has been organized in conformity with the Interlocal Corporation Act of the Texas Government Code and the Public Funds Investment Act. The Comptroller of Public Accounts is the sole officer, director and shareholder of the Texas Treasury Safekeeping Trust Company, which is authorized to operate TexPool.

TexPool is authorized to invest in (1) obligations of the U.S. Government, agencies, and instrumentalities (maximum maturities of 13 months), (2) fully collateralized repurchase agreements and reverse repurchase agreements with termination dates of 90 days or less, and (3) short-term no-load money market funds regulated by the Securities and Exchange Commission or equivalent, rated AAA. The balance invested in TexPool at year end was \$4,311,277. All of this was held in a money market account.

SABINE PASS PORT AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

NOTE 3 – TAXES RECEIVABLE

As prescribed by the Enabling Act, the Authority is authorized to assess, levy and collect an annual tax not to exceed \$.20 per \$100 of assessed valuation on all taxable property within the Authority for the maintenance and operation of the Authority and the port facilities, properties and improvements constructed and/or owned by the Authority. In addition, the Authority was authorized, at an election held on June 27, 1998, to issue bonds for port improvements. The bonds are a direct obligation of the Authority, payable from an ad valorem tax levied, without limitation as to rate or amount, on all taxable property located within the Authority.

The Authority's ad valorem property tax is levied each October 1 on the assessed value listed as of the prior January 1 for all real and business personal property located in the Authority. The assessed value of the roll on January 1, 2018, upon which the levy for the current fiscal year was based, was \$178,676,234.

The tax rate assessed for the year ended September 30, 2019 was \$0.183106 per \$100 valuation to finance General Fund operations, and \$0.076523 per \$100 valuation to finance the Debt Service Fund, making the net tax levy of approximately \$1,342,986 before supplemental roll changes.

Property taxes attach as an enforceable lien on property as of January 1 following the levy date. Taxes are due on October 1 and become delinquent on February 1 the following year. Current tax collections for the year ended September 30, 2019 were approximately 98% of the levy.

The balance of taxes receivable at September 30, 2019 is scheduled as follows:

	General	Debt Service	Total
Taxes receivable	\$ 108,072	\$ 47,069	\$ 155,141

NOTE 4 – CAPITAL ASSETS

A summary by category of changes in general fixed assets for the year ended September 30, 2019 are as follows:

Category	October 1, 2018	Additions	Deletions	September 30, 2019
Land	\$ 614,607	225,805	-	\$ 840,412
Building	60,038	-	-	60,038
Port facilities	8,589,234	17,520	-	8,606,754
Furniture and equipment	30,434	-	-	30,434
Vehicles	13,590	-	-	13,590
Construction in Progress	1,478,777	698,714	-	2,177,491
Total	10,786,680	942,039	-	11,728,719
Accumulated depreciation	(4,396,471)	(394,179)	-	(4,790,650)
Net Book Value	\$ 6,390,209	\$ 547,860	\$ -	\$ 6,938,069

SABINE PASS PORT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

NOTE 5 – BONDS PAYABLE

The refunding of bonds were authorized on December 15, 2010, and are direct obligations of the Authority, payable from an ad valorem tax levied, without limitation as to rate or amount, on all taxable property located within the Authority. The bonds mature beginning December 15, 2010, ending December 15, 2023, with biannual interest payments due August 15th and February 15th.

The authority issued revenue bonds in 2018 in the amount of \$583,000, the proceeds from which will be used for capital projects. The bonds mature beginning August 15, 2019, ending August 15, 2029. Biannual interest payments are due February 15th and August 15th.

The Authority issued new tax revenue bonds in 2019 in the amount of \$6,635,000, the proceeds from which will be used for capital projects. The bonds mature beginning August 15, 2019, ending August 15, 2037. Biannual interest payments are due February 15th and August 15th.

A summary of the Authority's debt service requirements, as of September 30, 2019, is outlined below.

	Original	Rate	10/1/2018	Issued	Retired	9/30/2019	Due in 1 Yr
Series 2010	1,200,000	3.18%	500,000	-	(110,000)	390,000	115,000
Series 2015	583,000	3.78%	451,000	-	(34,000)	417,000	35,000
Series 2017	6,635,000	2.00-4.00%	6,530,000	-	(40,000)	6,490,000	40,000
Total Bonded Debt			<u>\$ 7,481,000</u>	<u>\$ -</u>	<u>\$ (184,000)</u>	<u>\$ 7,297,000</u>	<u>\$ 190,000</u>
First Financial Warrant			267,798		(267,798)	-	-
FEMA Loan			130,542	-	(130,542)	-	-
Bond Premium			227,236	-	(11,960)	215,276	-
Total Other Debt			<u>\$ 625,576</u>	<u>\$ -</u>	<u>\$ (410,300)</u>	<u>\$ 215,276</u>	<u>\$ -</u>
Total Long-term Debt			<u>\$ 8,106,576</u>	<u>\$ -</u>	<u>\$ (594,300)</u>	<u>\$ 7,512,276</u>	<u>\$ 190,000</u>

Year	Principal	Interest	Total
2020	190,000	255,503	445,503
2021	196,000	249,723	445,723
2022	203,000	243,746	446,746
2023	209,000	237,534	446,534
2024	216,000	230,906	446,906
Thereafter	6,283,000	1,821,129	8,104,129
	<u>\$ 7,297,000</u>	<u>\$3,038,541</u>	<u>\$10,335,541</u>

NOTE 6 – INSURANCE AND RISK RETENTION

The Authority has commercial extended coverage and general liability insurance policies, covering the building and properties other than the dock facilities. The dock facilities are commercially insured with general liability policies.

SABINE PASS PORT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

NOTE 7 – USAGE FEES AND LEASES

Other revenues for the year ended September 30, 2019 are comprised of the following:

Port usage fees	\$	-
Dock Utilities		11,071
Leases		336,192
Easement Contract		2,917
Fuel		200,197
Bait/Concession		12,525
Total	\$	<u>562,902</u>

NOTE 8 – PENSION PLAN

Plan Description

The Authority provides retirement, disability, and death benefits for all of its full-time employees through a nontraditional defined contribution pension plan in the statewide Texas County and Authority Retirement System (TCDRS). The Board of Trustees of TCDRS is responsible for the administration of the statewide agent multiple-employer public employee retirement system consisting of 553 nontraditional defined benefit pension plans. TCDRS in the aggregate issues a comprehensive annual financial report (CAFR) on a calendar year basis. The CAFR is available upon written request from the TCDRS Board of Trustees at P.O. Box 2034, Austin, Texas 78768-2034.

Current Employees	9
Former Employees	<u>8</u>
Total	<u>17</u>

The plan revisions are adopted by the governing body of the employer, within the options available in the Texas state statutes governing TCDRS (TCDRS Act). Members can retire at ages 60 and above with more than 8 years of service, with 30 years of service regardless of age, or when the sum of their age and years of service equals 75 or more.

Members are vested after 8 years of service but must leave their accumulated contributions in the plan to receive any employer-financed benefit. Members who withdraw their personal contributions in a lump sum are not entitled to any amounts contributed by their employer.

Benefit amounts are determined by the sum of the employee's contributions to the plan, with interest, and employer-financed monetary credits. The level of these monetary credits is adopted by the governing body of the employer within the actuarial constraints imposed by the TCDRS Act so that the resulting benefits can be expected to be adequately financed by the employer's commitment to contribute.

At retirement, death, or disability, the benefit is calculated by converting the sum of the employee's accumulated contributions and the employer-financed monetary credits to a monthly annuity using annuity purchase rates prescribed by the TCDRS Act.

NOTE 9 – PENSION PLAN (Continued)

Funding Policy

The employer has elected the annually determined contribution rate (ADCR) plan provisions of the TCDRS Act. The plan is funded by monthly contributions from both employee members and the employer based on the covered payroll of employee members. Under the TCDRS Act, the contribution rate of the employer is actuarially determined annually. The employer contributed using the actuarially determined rate of 6.93% for the months of the accounting year in 2018, and 7.46% for the months of the accounting year of 2019. The contribution rate payable by the employee members for calendar year 2018 is the rate of 7% as adopted by the governing body of the employer. The employee contribution rate and the employer contribution rate may be changed by the governing body of the employer within the options available in the TCDRS Act.

Actuarial Assumptions

Valuation Timing	Actuarially determined contribution rates are calculated as of December 31, two years prior to the end of the fiscal year in which the contributions are reported.
Actuarial Cost Method	Entry Age
Amortization Method	Level percentage of payroll, closed
Remaining Amortization Period	7.2 years (based on contribution rate calculated in 12/31/18 valuation)
Asset Valuation Method	5-year smoothed market
Inflation	2.75%
Salary Increases	Varies by age and service. 4.9% average over career including inflation
Investment Rate of Return	8.00%, net of administrative and investment expenses, including inflation
Retirement Age	Members who are eligible for service retirement are assumed to commence receiving benefit payments based on age. The average age at service retirement for recent retirees is 61.
Mortality	130% of the RP-2014 Healthy Annuitant Mortality Table for males and 110% of the RP-2014 Healthy Annuitant Mortality Table for females, both projected with 110% of the MP-2014 Ultimate scale after 2014.
Changes in assumptions and methods reflected in the schedule of employer contributions	2015: New inflation. 2017: New mortality assumptions were reflected.
Changes in plan provisions reflected in the schedules of employer contributions	2015: No changes in plan provisions were reflected in the schedule. 2016: No changes in plan provisions were reflected in the schedule. 2017: New Annuity Purchase Rates were reflected for benefits earned after 2017. 2018: No changes in plan were reflected in the schedule

NOTE 8 – PENSION PLAN (Continued)

Long-term Expected Rate of Return

The long-term expected rate of return on TCDRS assets is determined by adding expected inflation to expected long-term real returns, and reflecting expected volatility and correlation. The capital market assumptions and information shown below are provided by TCDRS' investment consultant, Cliffwater LLC. The numbers shown are based on January 2019 information for a 7-10 year time horizon.

Note that the valuation assumption for long-term expected return is re-assessed at a minimum of every four years, and is set based on a 30-year time horizon; the most recent analysis was performed in 2013. See Milliman's TCDRS Investigation of Experience report for the period January 1, 2009 – December 31, 2012 for more details.

Asset Class	Benchmark	Target Allocation ⁽¹⁾	Geometric Real Rate of Return (Expected minus Inflation) ⁽²⁾
US Equities	Dow Jones U.S. Total Stock Market Index	10.50%	5.40%
Private Equity	Cambridge Associates Global Private Equity & Venture Capital Index ⁽³⁾	18.00%	8.40%
Global Equities	MSCI World (net) Index	2.50%	5.70%
International Equities - Developed	MSCI World Ex USA (net)	10.00%	5.40%
International Equities - Emerging	MSCI EM Standard (net) Index	7.00%	5.90%
Investment-Grade Bonds	Bloomberg Barclays U.S. Aggregate Bond Index	3.00%	1.60%
Strategic Credit	FTSE High-Yield Cash-Pay Capped Index	12.00%	4.39%
Direct Lending	S&P/LSTA Leveraged Loan Index	11.00%	7.98%
Distressed Debt	Cambridge Associates Distressed Securities Index ⁽⁴⁾	2.00%	7.20%
REIT Equities	67% FTSE NAREIT Equity REITs Index + 33% FRSE EPRA/NAREIT Global Real Estate Index	2.00%	4.15%
Master Limited Partnerships	Alerian MLP Index	3.00%	5.35%
Private Real Estate Partnerships	Cambridge Associates Real Estate Index ⁽⁴⁾	6.00%	6.30%
Hedge Funds	Hedge Fund Research, Inc. (HFRI) Fund of Funds Composite Index	13.00%	3.90%

⁽¹⁾ Target asset allocation adopted at the April 2019 TCDRS Board meeting

⁽²⁾ Geometrical real rates of return in addition to assumed inflation of 1.70% per Cliffwater's 2019 capital market assumptions.

⁽³⁾ Includes vintage years 2005-present of Quarter Pooled Horizon IRRs

⁽⁴⁾ Includes vintage years 2006-present of Quarter Pooled Horizon IRRs

⁽⁵⁾ Includes vintage years 2007-present of Quarter Pooled Horizon IRRs

NOTE 8 – PENSION PLAN (Continued)

Discount Rate Used

The discount rate is the single rate of return that, when applied to all projected benefit payments results in an actuarial present value of projected benefit payments equal to the total of the following:

1. The actuarial present value of benefit payments projected to be made in future periods in which (a) the amount of the pension plan's fiduciary net position is projected to be greater than the benefit payments that are projected to be made in that period and (b) pension plan assets up to that point are expected to be invested using a strategy to achieve the long-term rate of return, calculated using the long-term expected rate of return on pension plan investments.
2. The actuarial present value of projected benefit payments not included in (1), calculated using the municipal bond rate.

Therefore, if plan investments in a given future year are greater than projected benefit payments in that year and are invested such that they are expected to earn the long-term rate of return, the discount rate applied to projected benefit payments in that year should be the long-term expected rate of return on plan investments. If future years exist where this is not the case, then an index rate reflecting the yield on a 20-year, tax-exempt municipal bond should be used to discount the projected benefit payments for those years.

The determination of a future date when plan investments are not sufficient to pay projected benefit payments is often referred to as a depletion date projection. A depletion date projection compares projections of the pension plan's fiduciary net position to projected benefit payments and aims to determine a future date, if one exists, when the fiduciary net position is projected to be less than projected benefit payments. If an evaluation of the sufficiency of the projected fiduciary net position compared to projected benefit payments can be made with sufficient reliability without performing a depletion date projection, alternative methods to determine sufficiency may be applied.

In order to determine the discount rate to be used by the employer we have used an alternative method to determine the sufficiency of the fiduciary net position in all future years. Our alternative method reflects the funding requirements under the employer's funding policy and the legal requirements under the TCDRS Act.

1. TCDRS has a funding policy where the Unfunded Actuarial Accrued Liability (UAAL) shall be amortized as a level percent of pay over 20-year closed layered periods.
2. Under the TCDRS Act, the employer is legally required to make the contribution specified in the funding policy.
3. The employer's assets are projected to exceed its accrued liabilities in 20 years or less. When this point is reached, the employer is still required to contribute at least the normal cost.
4. Any increased cost due to the adoption of a COLA is required to be funded over a period of 15 years, if applicable.

Based on the above, the projected fiduciary net position is determined to be sufficient compared to projected benefit payments. Based on the expected level of cash flows and investment returns to the system, the fiduciary net position as a percentage of total pension liability is projected to increase from its current level in future years.

SABINE PASS PORT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

NOTE 8 – PENSION PLAN (Continued)

Since the projected fiduciary net position is projected to be sufficient to pay projected benefit payments in all future years, the discount rate for purposes of calculating the total pension liability and net pension liability of the employer is equal to the long-term assumed rate of return on investments. This long-term assumed rate of return should be net of investment expenses, but gross of administrative expenses for GASB 68 purposes. Therefore, we have used a discount rate of 8.10%. This rate reflects the long-term assumed rate of return on assets for funding purposes of 8.00%, net of all expenses, increased by 0.10% to be gross of administrative expenses.

Sensitivity Analysis

The following represents the net pension liability of the authority, calculated using the discount rate of 8.10%, as well as what the Sabine Pass Port Authority net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (7.10%) or 1 percentage point higher (9.10%) than the current rate.

	1% Decrease 7.10%	Current Rate 8.10%	1% Increase 9.10%
Total pension liability	933,222	835,684	752,654
Fiduciary net position	810,138	810,138	810,138
Net pension liability/(asset)	\$ 123,084	\$ 25,546	\$ (57,484)

Changes in Net Pension Liability

Changes in Net Pension Liability/(Asset)	Total Pension Liability	Increase (Decrease) Fiduciary Net Position	Net Pension Liability/ (Asset)
Balances as of December 31, 2016	\$ 787,702	\$ 844,057	\$ (56,355)
Changes for the year			-
Service cost	23,358		23,358
Interest on total pension liability ⁽¹⁾	63,670		63,670
Effect of plan changes ⁽²⁾	-		-
Effect of economic/demographic (gains) or losses	11,979		11,979
Effect of assumption changes or inputs	-		-
Refund of contributions	-	-	-
Benefit payments	(51,025)	(51,025)	-
Administrative expenses		(651)	651
Member contributions		18,188	(18,188)
New investment income		(15,914)	15,914
Employer contributions		15,902	(15,902)
Other ⁽³⁾	-	(420)	420
Balances as of December 31, 2017	\$ 835,684	\$ 810,137	\$ 25,547

⁽¹⁾ Reflects the change in the liability due to the time value of money. TCDRS does not change fees or interest.

⁽²⁾ No plan changes valued.

⁽³⁾ Relates to allocation of system-wide items.

SABINE PASS PORT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

NOTE 8 – PENSION PLAN (Continued)

Pension Expense

	January 1, 2018 to December 31, 2018
Pension Expense/(Income)	
Service cost	\$ 23,358
Interest on total pension liability ⁽¹⁾	63,670
Effect on plan changes	-
Administrative expenses	651
Member contributions	(18,188)
Expected investment return net of investment expenses	(67,654)
Recognition of deferred inflows/outflows of resources	
Recognition of economic/demographic gains or losses	(1,811)
Recognition of assumption changes or inputs	2,971
Recognition of investment gains or losses	16,733
Other ⁽²⁾	420
Pension expense/(income)	<u>\$ 20,150</u>

⁽¹⁾ Reflects the change in the liability due to the time value of money. TCDRS does not change fees or interest.

⁽²⁾ Relates to allocation of system-wide items.

Schedule of Deferred Inflows and Outflows

As of December 31, 2018, the deferred inflows and outflows of resources related to pensions are as follows:

	Deferred Inflows of Resources	Deferred Outflows of Resources
Differences between expected and actual experience	\$ 6,970	\$ 7,986
Changes of assumptions	-	1,030
Net difference between projected and actual earnings	-	45,950
Contributions made subsequent to measurement date	N/A	26,846

Amounts currently reported as deferred outflows of resources and deferred inflows of resources related to pensions, excluding contributions made subsequent to the measurement date, will be recognized in pension expense as follows:

Year ended December 31:	
2018	\$ 12,999
2019	11,671
2020	6,611
2021	16,715
2022	-
Thereafter ⁽¹⁾	-

⁽¹⁾ Total remaining balance to be recognized in future years, if any. Note that additional future deferred inflows and outflows of resources may impact these numbers.

SABINE PASS PORT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

NOTE 10 – FUND BALANCE DISCLOSURE

In accordance with Government Accounting Standards Board 54, Fund Balance Reporting and Governmental Fund Type Definitions, the Authority classifies governmental fund balances as follows:

- 1) Non-Spendable – includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints. The Authority has \$0 classified as Non Spendable
- 2) Restricted – includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation. The Authority has \$78,690 classified as Restricted.
- 3) Committed – includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority and does not lapse at year-end. The Authority has \$4,628,961 classified as Committed.
- 4) Assigned – includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. The Authority has \$0 classified as Assigned.
- 5) Unassigned – includes positive fund balance within the General Fund which has not been classified within the above mentioned categories and negative fund balances in other governmental funds. The Authority has \$853,291 classified as Unassigned.

The elected board of directors, for the entity, has the authority to commit, assign, and restrict fund balances. In some instances a restriction is a result of meeting contractual or otherwise legal requirements, for example debt service requirements contained in the bond covenant.

NOTE 11 – LITIGATION

None.

NOTE 12 – SUBSEQUENT EVENTS

Subsequent events have been evaluated through February 19, 2020. No events existed as of that date that would require disclosure.

NOTE 13 – PRIOR PERIOD ADJUSTMENT

A prior period adjustment was made to the statement of net position in the amount of \$128,202 to reflect a to correctly reflect the balance of the warrant due to First Financial Bank and the value of accrued interest.

REQUIRED SUPPLEMENTARY INFORMATION

SABINE PASS PORT AUTHORITY

BUDGETARY COMPARISON SCHEDULE – GENERAL FUND
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2019

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
EXPENDITURES/EXPENSES				
Port operations	\$ 1,043,789	\$ 1,043,789	\$ 979,168	\$ 64,621
TOTAL EXPENDITURES/EXPENSES	1,043,789	1,043,789	979,168	64,621
Program revenues:				
Usage fees and leases	571,281	571,281	562,902	(8,379)
Net program expenses	(472,508)	(472,508)	(416,266)	56,242
GENERAL REVENUES				
Property taxes	906,780	906,780	953,296	46,516
Tax abatement fees	-	-	-	-
Miscellaneous income	-	-	17,643	17,643
TOTAL GENERAL REVENUES	906,780	906,780	970,939	64,159
OTHER FINANCING SOURCES (USES)				
Transfers Out	(325,526)	(325,526)	(424,749)	(99,223)
TOTAL OTHER FINANCING SOURCES	(325,526)	(325,526)	(424,749)	(99,223)
Excess of revenues over expenditures	108,746	108,746	129,924	120,401
Fund balance:				
Beginning of the year	723,367	723,367	723,367	6,213,370
End of the year	\$ 832,113	\$ 832,113	\$ 853,291	\$ 6,333,771

SABINE PASS PORT AUTHORITY

BUDGETARY COMPARISON SCHEDULE – DEBT SERVICE FUND
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2019

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
EXPENDITURES/EXPENSES				
Principal	\$ 184,000	\$ 184,000	\$ 184,000	\$ -
Interest	261,086	261,086	261,078	8
TOTAL EXPENDITURES/EXPENSES	445,086	445,086	445,078	8
Program revenues:				
Usage fees and leases	-	-	-	-
Operating grants	-	-	-	-
Net program expenses	(445,086)	(445,086)	(445,078)	8
GENERAL REVENUES				
Property taxes	383,497	383,497	396,758	13,261
Tax abatement fees	-	-	-	-
Penalties and interest	-	-	1,656	1,656
TOTAL GENERAL REVENUES	383,497	383,497	402,132	18,635
OTHER FINANCING SOURCES (USES)				
Transfers In	51,048	51,048	5,109	(45,939)
Transfers Out	-	-	-	-
TOTAL OTHER FINANCING SOURCES	51,048	51,048	5,109	(45,939)
Excess of revenues over expenditures	(61,589)	(61,589)	(37,837)	18,643
Change in net assets				
Fund balance:				
Beginning of the year	114,242	114,242	114,242	-
End of the year	\$ 52,653	\$ 52,653	\$ 76,405	\$ 18,643

SABINE PASS PORT AUTHORITY

SCHEDULE OF CHANGES IN THE EMPLOYER'S NET PENSION LIABILITY AND RELATED RATIOS FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2019

This schedule is presented to illustrate the requirement to show information for 10 years. However, recalculations of prior years are not required, and if prior years are not reported in accordance with the standards of GASB 67/68, they should not be shown here. Therefore, we have shown only the years for which the new GASB statements have been implemented.

	2018	2017	2016	2015	2014
Total Pension Liability					
Service cost	\$ 23,358	\$ 22,776	\$ 21,866	\$ 22,572	\$ 21,803
Interest on total pension liability	63,670	61,698	60,450	57,490	54,135
Effect of plan changes	-	-	-	(4,333)	-
Effect of assumption changes or inputs	-	3,088	-	4,660	-
Effect of economic/demographic (gains) or losses	11,979	(5,327)	(20,773)	7,768	8,216
Benefit payments/refunds or contributions	(51,025)	(65,648)	(51,025)	(48,187)	(41,529)
Net change in total pension liability	47,982	16,587	10,518	39,970	42,625
Total pension liability, beginning	787,702	771,115	760,597	720,627	678,002
Total pension liability, ending (a)	\$ 835,684	\$ 787,702	\$ 771,115	\$ 760,597	\$ 720,627
Fiduciary Net Position					
Employer contributions	15,902	16,543	15,822	14,540	14,478
Member contributions	18,188	17,439	14,846	14,687	14,095
Investment income net of investment expenses	(15,914)	111,225	54,050	24,045	48,291
Benefit payments/refunds of contributions	(51,025)	(65,648)	(51,025)	(48,187)	(41,529)
Administrative expenses	(651)	(561)	(609)	(542)	(558)
Other	(420)	(430)	(21,799)	2,399	12,241
Net change in fiduciary net position	(33,920)	78,568	11,285	6,942	47,018
Fiduciary net position, beginning	844,057	765,489	754,204	747,262	700,244
Fiduciary net position, ending (b)	\$ 810,137	\$ 844,057	\$ 765,489	\$ 754,204	\$ 747,262
Net pension liability/(asset), ending = (a) - (b)	\$ 25,547	\$ (56,355)	\$ 5,626	\$ 6,393	\$ (26,635)
Fiduciary net position as a % of total pension liability	96.94%	107.15%	99.27%	99.16%	103.70%
Pensionable covered payroll	259,830	216,113	212,086	209,812	201,362
Net pension liability as a % of covered payroll	9.83%	-26.08%	2.65%	3.05%	-13.23%

SABINE PASS PORT AUTHORITY

SCHEDULE OF EMPLOYER CONTRIBUTIONS

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2019

Year Ending December 31,	Actuarially Determined Contribution ⁽¹⁾	Actual Employer Contribution ⁽¹⁾	Contribution Deficiency (Excess)	Pensionable Covered Payroll ⁽²⁾	Actual Contribution as a % of Covered Payroll
2008	\$ 11,863	\$ 11,863	\$ -	\$ 156,087	7.6%
2009	10,697	10,697	-	155,249	6.9%
2010	10,360	10,360	-	159,141	6.5%
2011	13,736	13,736	-	194,017	7.1%
2012	14,728	14,728	-	204,560	7.2%
2013	14,775	14,775	-	200,202	7.4%
2014	14,478	14,478	-	201,362	7.2%
2015	14,540	14,540	-	209,812	6.9%
2016	15,822	15,822	-	212,086	7.5%
2017	14,350	16,543	(2,193)	216,113	7.7%
2018	15,902	15,902	-	259,830	6.1%

⁽¹⁾ TCDRS calculate actuarially determined contributions on a calendar year basis. GASB Statement No. 68 indicates the employer should report employer contribution amounts on a fiscal year basis.

⁽²⁾ Payroll is calculated based on contributions reported to TCDRS.

REPORTS ON COMPLIANCE AND INTERNAL CONTROL

MITCHELL T. FONTENOTE

CERTIFIED PUBLIC ACCOUNTANT, INC.

February 19, 2020

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Commissioners
Sabine Pass Port Authority
Sabine Pass, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Sabine Pass Port Authority, as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise Sabine Pass Port Authority's basic financial statements, and have issued our report thereon dated February 19, 2020.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Sabine Pass Port Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Sabine Pass Port Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of Sabine Pass Port Authority's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether Sabine Pass Port Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Mitchell T Fontenote CPA, Inc